

## **MINUTES**

### **MONTANA HOUSE OF REPRESENTATIVES 58th LEGISLATURE - REGULAR SESSION**

#### **JOINT APPROPRIATIONS SUBCOMMITTEE ON GENERAL GOVERNMENT AND TRANSPORTATION**

**Call to Order:** By **CHAIRMAN JOHN BRUEGGEMAN**, on January 31, 2003  
at 8:05 A.M., in Room 317-B Capitol.

#### **ROLL CALL**

**Members Present:**

Rep. John Brueggeman, Chairman (R)  
Sen. Rick Laible, Vice Chairman (R)  
Sen. Mike Cooney (D)  
Rep. Monica Lindeen (D)  
Rep. John Sinrud (R)

**Members Excused:** Sen. Gregory D. Barkus (R)

**Members Absent:** None.

**Staff Present:** Matt Bugni, OBPP  
Greg DeWitt, Legislative Branch  
Amy Sassano, OBPP  
Misty Shea, Committee Secretary

**Please Note:** Tape stamps indicate information that is found below. These are summary minutes. Testimony and discussion are paraphrased and condensed.

**Committee Business Summary:**

Hearing & Date Posted: Department of Revenue, 1/31/2003  
Executive Action: None

(Copies of Exhibits 3 and 4 from 1-30-03 are included for your information)

**{Tape: 1; Side: A; Approx. Time Counter: 0 - 10}**

The meeting began with a continuation of The Department of Revenue's requests and clarifications. **Lynn Chenoweth, Resource Management Administrator** referred the committee to NP 808 in the gray box on Exhibit 3 of January 30, 2003 where they had left off that day. He explained the proposal as it is written on Page A-163 of the Budget Analysis book. He also added that six of the positions will be eliminated on July 1st, the other seven will be eliminated in January 2004. **Lynn Chenoweth** said the Department of Revenue (DOR) does plan on doing all of the appraisal functions just with less staff and no revenue impact of this is anticipated.

**SEN. COONEY** asked what would be the end result of the reductions. **Kurt Alme, Director** answered that historically every six years the DOR will reappraise certain properties. Essentially in Mr. Alme's words they "ramp up" prior to a reappraisal staffing then "ramp down" after, which is where they are now. The way the DOR is affected is by impacting the cost after the "ramp down" phase to "ramp up" again. **Mr. Alme** stated that there are some activities, if maintained during the interim time would not cause a cost on the "up" side. A cost benefit analysis has been done and the DOR thinks that with the staff they are reducing now they will be in a better position to try and optimize the aforementioned functions. The DOR would like to maintain service and functions so they do not need to go into rush mode every two years. **Mr. Alme** told the committee that the DOR thinks what they are proposing is a responsible thing to do as a result of the end of reappraisal. The DOR has tried to stagger the reduction in FTE to coincide with pending work which should allow for some vacancies through attrition that could minimize RIF.

**SEN. COONEY** clarified that the reappraisals are statutory and asked Kurt Alme if he felt confident with compliance of law with the reductions. **Mr. Alme** replied that he did even though the DOR is at its tightest staffing ever in the appraisal function. He added that with each staff reduction over the past few years the DOR has moved to very detailed work plans and regional concepts with people helping out county to county.

**{Tape: 1; Side: A; Approx. Time Counter: 10 - 22}**

**Lynn Chenoweth** introduced NP 809 which is a discontinuing of POINTS phase two and explained. (Reference Page 6 Exhibit 4 of 1-30-03.) **Mr. Chenoweth** continued on to NP 8002 Page 7 as written and added that currently the DOR operates in eight counties that do not have office space available for them which results in higher rent. **Mr. Chenoweth** specifically made reference to Kalispell where the rent is highest. These Decision Packages are in the executive budget and if added together over fiscal years 2004-2005 total negative \$736,000 which compared with targeted cuts is \$1.6 billion short. **Mr. Chenoweth** referred the committee back to the blue box on Exhibit 3 of 1-30-03. He pointed out how PL-203 was in the executive budget request originally and was withdrawn. He also clarified for the committee that the Oracle upgrade is for the POINTS system, the corporate tax system, and a third (inaudible). **Mr. Chenoweth** proceeded on down the list in the blue box explaining NP-210, PL-804, and 801. He then went into the new Decision Packages portion of the list and explained NP-806 would place the DOR on a five-year computer replacement cycle. (Reference Pages 7-8 of Exhibit 4 on 1-30-03.)

**{Tape: 1; Side: B; Approx. Time Counter: 22 - 30}**

**SEN. COONEY** on the subject of revenue loss (Page 8) asked what the counties thought of being out an estimated amount of nearly a million dollars. **Director Alme** stated that in addition to what the DOR has already reduced, they have to reduce functions to reduce FTE further and they are looking to the compliance staff that have minimal impact to the General Fund. **Mr. Alme** said he has had a discussion with MACO representatives and he plans to talk with other groups as this is a concern that is not taken lightly. **Matt Bugni of OBPP** commended the DOR on how they are handling their reductions and he expressed that the executive office feels the department does need to replace vehicles (PL-8010) otherwise the executive is not in support of most of the blue box.

**CHAIRMAN BRUEGGEMAN** thanked Matt for his comments and addressed with Director Alme the last three items in the blue box. If they were removed the revenue estimate would have to be readjusted. **Director Alme** stated that under the circumstances he had intended to prioritize the items for the committee in terms of what is critical to the DOR and what they could do without.

**CHAIRMAN BRUEGGEMAN** instructed him to do so. **Mr. Alme** said that priority-wise the last five items in the blue box read from the bottom up. **Mr. Alme** stated the last two items, if funded, would not help the budget situation and he said reduction of operating costs related to CAMA is not a priority. The request for leased vehicles however is as it has been over two years since the DOR has had any. Out of the vehicles chosen to replace due to maintenance and safety issues, the lowest mileage is 125,000 which **Mr. Alme** asked the committee to seriously consider. Another priority is computer replacement as the DOR's hardware is currently two years out of warranty.

*{Tape: 1; Side: B; Approx. Time Counter: 0 - 8.5}*

**SEN. LAIBLE** asked Director Alme to prioritize the five items from the least priority to the greatest. **Director Alme** replied computer replacement is the least, followed by the leased vehicles, then personal property field audit staff, and compliance staff from special session is the greatest. There were no further questions.

**Lynn Chenoweth** spoke on Decision Packages with no General Fund effect and explained as listed. (Exhibit 3 of 1-30-03 the bottom white part of the sheet.) **Greg DeWitt of the LFD** referred the committee to their liquor division language issue on Page A-154 of the Budget Analysis book. **SEN. LAIBLE** asked **Lynn Chenoweth** about the 10% commission rate paid to the customer service center. **Neil Peterson, Administrator**, responded to the question that contracted collections are more costly. The 60-day payment cycle from the liquor stores to the division, liquor laws, and inventory turn over were discussed. **Mr. Chenoweth** stated that the 2002 liquor sales were about \$65 million with a cost of about \$35 million to the DOR.

JOINT APPROPRIATIONS SUBCOMMITTEE ON GENERAL GOVERNMENT AND  
TRANSPORTATION

January 31, 2003

PAGE 5 of 5

**ADJOURNMENT**

Adjournment: 8:55 A.M.

---

REP. JOHN BRUEGGEMAN, Chairman

---

MISTY SHEA, Secretary

JB/MS

**EXHIBIT** (jgh21aad)